



Air Resources Board



Matthew Rodriguez
Secretary for
Environmental Protection

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov

Edmund G. Brown Jr.
Governor

May 8, 2012

Mr. Martin Hopper
General Manager
M-S-R Public Power Agency
P.O. Box 4060
Modesto, CA 95352

Mr. Bill Carnahan
Executive Director
Southern California Public Power Authority
225 South Lake Avenue, Suite 1250
Pasadena, CA 91101

Dear Mr. Hopper and Mr. Carnahan:

Thank you for your recent letter regarding California's cap-and-trade program. Let me assure you that the Air Resources Board (ARB) has been and continues to be committed to the successful implementation of the cap-and-trade program. As you describe in your letter, the cap-and-trade regulation is a key part of California's plan for reducing greenhouse gas emissions to meet the goals described in the 2006 Global Warming Solution Act, also known as AB 32. The flexibility inherent in the cap-and-trade regulation provides covered entities, such as M-S-R and Southern California Public Power Authority members, the opportunity to determine the lowest cost way to comply with the regulation, while also ensuring that aggregate emissions decrease to meet the 2020 cap. The structure of the cap-and-trade program also facilitates linkage with other jurisdictions to broaden the market, increasing opportunities to secure low cost emission reductions. ARB will consider linkage with Quebec at our June Board meeting.

We are currently developing the infrastructure needed to conduct the first auction of allowances in November 2012, including development of a compliance instrument tracking system, an auction platform, financial services, and a market monitoring system. ARB staff have been consulting with stakeholders as we finalize the details of implementation to ensure that the program works for regulated entities. We look forward to continuing to work with you to meet California's greenhouse gas reduction goals.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

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Mr. Bill Carnahan
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If you have any questions, please contact me at (916) 322-5840, or James N. Goldstene, Executive Officer, at (916) 445-4383.

Sincerely,



Mary D. Nichols
Chairman

cc: James N. Goldstene
Executive Officer

Robert Weisenmiller, Chairman
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814